

Message Text

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14

ACTION AGR-20

INFO OCT-01 EUR-25 EA-11 ISO-00 EB-11 NEA-10 COME-00

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EO 11652: N/A

TAGS: EAGR, ETRD, EGEN, AS

SUBJ: AUSTRALIAN WHEAT SALE TO EGYPT

1. EGYPTIAN DELEGATION IS TO ARRIVE IN AUSTRALIA THIS WEEK TO NEGOTIATE CONTRACT FOR 1 MILLION TONS OF WHEAT TO BE SUPPLIED IN 1974 UNDER THREE-YEAR AGREEMENT 1973/75. IN PRELIMINARY DISCUSSIONS, A FURTHER CONFRONTATION BETWEEN GOA AND AWB HAS DEVELOPED ON CREDIT SALE, AND DPI MINISTER WRIEDT EXERCISED HIS POWER OF DIRECTION OVER AWB TO FORCE BOARD TO MAKE FURTHER CREDIT AVAILABLE TO EGYPT, WITH BOARD TO CARRY 25 PERCENT OF RISK.

2. UNDER THREE-YEAR AGREEMENT WITH EGYPT AWB COMMITTED TO SUPPLY 1. MILLION TONS PER ANNUM BUT WITH PRICE AND PAYMENT TERMS TO BE NEGOTIATED FOR EACH ANNUAL CONTRACT. IN VIEW OF CURRENT WORLD SUPPLY SITUATION AND POOR EGYPTIAN PAYMENT RECORD AWB NOT KEEN TO GIVE CREDIT AND ASKED GOA TO ASSUME ALL RISK. WHEN MIDDLE EAST WAR BROKE OUT AWB CONSIDERED CONDITIONS CHANGED AND TOOK COMMERCIAL VIEW THAT CREDIT COULD NOT BE OFFERED IN THE KNOWLEDGE IT HAD TO CARRY AT LEAST PART OF RISK, AND PROPOSED CASH SALE.

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IF GOA WAS TO INSIST ON CREDIT SALE AWB TOOK POSITION THAT THIS

WAS FOR FOREIGN POLICY REASONS AND ACCORDINGLY SHOULD ASSUME ENTIRE RISK.

3. GOA STRONGLY OPPOSED THIS VIEW AND AFTER DISCUSSIONS WITH AWB FAILED TO BRING ABOUT COMPROMISE DPI MINISTER WRIEDT DIRECTED BOARD TO MAKE SALE ON CREDIT AND ASSUME 25 PERCENT OF RISK. BOARD MEMBERS HAVE GIVEN WIDE PUBLICITY TO MATTER IN GROWER MEETINGS AS IT WISHES TO MAKE CLEAR TO PRODUCERS THAT IT WAS FORCED INTO SITUATION BY GOVERNMENT, DESPITE COMMERCIAL JUDGMENT THAT GROWER MONEYS SHOULD NOT BE PUT AT RISK IN PRESENT VOLATILE CONDITIONS. GRAIN GROWER REACTION HAS BEEN EXTREMELY ANGRY AND VOCAL, AND HAS CREATED POOR CLIMATE FOR OPENING DISCUSSIONS FOR NEW STABILIZATION SCHEME TO COMMENCE SHORTLY.

4. ALTHOUGH AWB NOT PREPARED TO DISCLOSE TO AGATTACHE OFFICE ITS NEGOTIATING POSITION, IT APPEARS LIKELY THAT IT WILL PROPOSE 1 YEAR CREDIT TERMS ONLY, WITH A SUBSTANTIAL DOWN PAYMENT ON SHIPMENT. GOA WOULD PROBABLY GO ALONG WITH THAT. BASIC OFFER PRICE FOR F.A.Q. WHEAT IS LIKELY TO BE ABOUT 1.3535 DOLLARS AUSTRALIAN PER BUSHEL F.O.B. BASIS, AND ACCORDINGLY THE TOTAL AMOUNT INVOLVED IN THE CONTRACT IS ABOUT 135 MILLION DOLLARS AUSTRALIAN.
GREEN

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